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Department of the Treasury
Internal Revenue Service

Instructions for Form 1116

Foreign Tax Credit

Individual, Fiduciary, or Nonresident Alien Individual

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.— We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	2 hrs., 44 min.
Learning about the law or the form	41 min.
Preparing the form	1 hr., 26 min.
Copying, assembling, and sending the form to IRS	35 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

General Instructions

Who Should Use This Form

Use Form 1116 to figure your foreign tax credit if you are an individual, estate, or trust, and you paid or accrued foreign taxes for tax year 1990. See **Foreign Taxes For Which You May Take a Credit** on this page to determine if the taxes you paid or accrued qualify for the credit. If you are a nonresident alien, see **Nonresident Aliens,** below.

Use a separate Form 1116 (Parts I, II, and III) to figure the credit for foreign taxes paid or accrued for each category of income specified above Part I of the form. See **Categories of Income** on page 2 to find out what kind of income is contained in each category. If, for the box you check, you have income from or have paid taxes to more than one foreign country or U.S. possession, use a separate column in Part I and a separate line in Part II for each country or possession. If you paid taxes to more than three countries or possessions, attach additional sheets following the format of Parts I and II.

Additional Information.—Pub. 514, Foreign Tax Credit for Individuals, contains a detailed explanation of how to figure the foreign tax credit. You can get it from an IRS Forms Distribution Center.

Nonresident Aliens

If you are a nonresident alien you generally cannot take the credit. However, you may be able to take the credit if:

(1) You are a resident of Puerto Rico during your entire tax year; or

(2) You are a nonresident alien who pays or accrues tax to a foreign country or U.S. possession on income from foreign sources that is effectively connected with a trade or business in the United States. However, if you have to pay tax to a foreign country or U.S. possession on income from U.S. sources only because you are a citizen or a resident of that country or U.S. possession, that tax may not be used in figuring the amount of your credit.

For more information, see **Pub. 519,** U.S. Tax Guide for Aliens.

Foreign Taxes for Which You May Take a Credit

You may take a credit for income, war profits, and excess profits taxes paid or accrued during the tax year to any foreign country or U.S. possession or any political subdivision, agency, or instrumentality of the country or possession. (Examples of political subdivisions are a city, state, or province.) In figuring the credit on Form 1116, U.S. possessions include Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa.

These taxes include taxes that are paid or accrued in lieu of an income, war profits, or excess profits tax that is otherwise generally imposed.

Note: *Do not use Form 1116 to figure a credit for taxes paid to the U.S. Virgin Islands. Use Form 8689 instead.*

U.S. citizens who live in certain countries may be able to take an additional foreign tax credit against their U.S. tax liability for the foreign tax imposed on certain items of income from the United States. A worksheet is available to help you figure this special credit. For a copy of the worksheet and its instructions, write to the Internal Revenue Service, Assistant Commissioner (International), Attention: IN:C:TPS, 950 L'Enfant Plaza South, S.W., Washington, DC 20024. You may also contact the United States Revenue Service Representative at the U.S. Embassies in Paris, Ottawa, Rome, or Sydney, for assistance in figuring this credit.

Also, you may take a credit for taxes paid to Panama but only if the taxes were paid to the order of the Government of the Republic of Panama, Account Number 2, in the Federal Reserve Bank of New York.

Foreign Taxes for Which You May Not Take a Credit

- Taxes attributable to excluded income from sources in American Samoa, Guam, or the Commonwealth of the Northern Mariana Islands if you are a bona fide resident of American Samoa. For more information, get **Pub. 570,** Tax Guide for Individuals With Income From U.S. Possessions.
- Taxes imposed and paid on income earned from activities conducted in certain foreign countries. These countries include those designated by the Secretary of State as countries that repeatedly provide support for acts of international terrorism, countries with which the United States does not have diplomatic relations, or countries whose governments are not recognized by the United States. Pub. 514 contains a list of these countries. Also, you cannot claim a credit for taxes paid or accrued on income from activities conducted in South Africa. See section 901(j)(2) for more information.
- Taxes paid to a foreign country that would be refunded to you if you made a refund claim.
- Certain payments made to a foreign country for the purchase or sale of oil or gas if you do not have an economic interest in the oil or gas to which these payments apply, and the purchase price paid or sales price received is different than the fair market value of the oil or gas at the time of the purchase or sale.
- Foreign taxes paid or accrued on foreign oil-related income to the extent the tax imposed by the foreign country on the oil-related income is materially greater than the tax generally imposed by that country on other kinds of income. However, the amount of tax not allowed as a credit under this rule is allowed as a business expense deduction.
- Payments of foreign tax which are returned to you in the form of a subsidy (such as a refund or credit).

You may **not** take a credit for any interest or penalties you must pay.

Credit or Deduction

Instead of taking the credit on Form 1116, you may choose to deduct foreign income taxes on Schedule A (Form 1040). If you take the credit for any allowable foreign taxes, you may not take any part of that year's tax as a deduction in the year you take the credit or in any later year. However, you may take a deduction for foreign taxes not allowed as a credit because of boycott provisions. You may also take a deduction for taxes paid to certain foreign countries for which a credit has been denied under section 901(j)(2).

If you want to change your election to take a deduction instead of a credit, or a credit instead of a deduction, you must do so within a special 10-year limitation period. See Pub. 514.

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Method of Reporting

Report all amounts on the form in U.S. dollars except where specified otherwise in Part II. If you have to convert from foreign currency, attach a detailed explanation of how you figured the conversion rate.

If you take a credit for taxes paid, the conversion rate is the rate of exchange in effect on the day you paid the foreign taxes. If you choose to take the credit for accrued taxes, the conversion rate is the rate of exchange in effect on the last day of your tax year. However, if a different rate of exchange is in effect when the tax is actually paid, use the rate in effect on the day you pay the tax.

If you receive a refund of foreign taxes paid, the conversion rate is the rate in effect when you paid the taxes rather than when you receive the refund.

Note: *There are special rules for converting foreign income and taxes into U.S. dollars if you have a qualified business unit. You may have a qualified business unit if you own and operate a business or are otherwise self-employed in a foreign country. See Pub. 514.*

For more information on how to report foreign taxes, see **Foreign Taxes Paid or Accrued** in the Line-by-Line Instructions for Part II.

Foreign Tax Redeterminations. A foreign tax redetermination is any change in your foreign tax liability that affects your U.S. foreign tax credit. A redetermination occurs if:

a. you must pay additional foreign taxes or receive a foreign tax refund; or

b. there is a change in the dollar amount of your foreign tax credit because of differences in the exchange rate at the time the foreign taxes were accrued and the time they were paid.

If, after you file your return, your foreign tax is redetermined, you must file an amended return on **Form 1040X,** Amended U.S. Individual Income Tax Return, to notify the IRS so that your U.S. tax for the year or years affected can be redetermined. You must complete and attach to Form 1040X a revised Form 1116 for the tax year affected by the redetermination. This Form 1116 must reflect the changes made by the foreign tax redetermination. For more information, see Regulations section 1.905-4T(b).

Exception. If the change in your foreign tax liability occurred solely because of changes in the exchange rate (as in **b** above), you do not need to file Form 1040X if the difference between the dollar value of the accrued foreign tax and the dollar value of the foreign tax you actually paid was less than the smaller of:

- $10,000; or
- 2% of the foreign tax initially accrued.

If you meet this exception you may adjust your U.S. tax for the year of the foreign tax redetermination instead of filing Form 1040X.

Note: *If you do not notify the IRS of a foreign tax refund, or change in the dollar amount of foreign taxes paid or accrued, you may have to pay a penalty. See Regulations section 1.905-4T(c)(3).*

See Pub. 514 for more information.

Income From Sources Outside the U.S.

This income includes: compensation for services performed outside the U.S.; interest income from a payer located outside the U.S.; dividends from a corporation that is incorporated outside the U.S.; and gain on the sale of nondepreciable personal property you sold while maintaining a tax home outside the U.S. But this gain is only considered to be from sources outside the U.S. if you paid a tax of at least 10% of the gain to a foreign country.

Special rules apply in determining the source of income from the sale of inventory; sale of depreciable property used in a trade or business; sale of intangible property such as a patent, copyright, or trademark; ocean activities; and transportation services that begin or end in the U.S. or a U.S. possession.

See Pub. 514 for more information.

Categories of Income

A separate foreign tax credit limitation applies to each category of income listed above Part I. The following instructions tell you what kind of income is contained in each of the categories. Once you determine the category into which your foreign income falls, check the box above Part I for that category. For each category, use a separate Form 1116 to compute the limitation.

The separate categories and the income generally contained in each are:

Passive Income. Passive income generally includes dividends, interest, royalties, rents, and annuities. It also includes gain from the sale of non-income-producing investment property and gains from commodities transactions (except hedging transactions and active business gains or losses of producers, processors, merchants, or handlers of commodities). Passive income does not include gain from the sale of inventory or property held primarily for sale to customers in the ordinary course of your trade or business. Passive income also does not include foreign oil and gas extraction income, export-financing interest, active business rents and royalties from unrelated persons, or high-taxed income (see **High-Taxed Income** on page 3).

High Withholding Tax Interest. In general, high withholding tax interest is foreign interest that is subject to a foreign withholding or gross-basis tax of 5% or more (section 904(d)(2)(B)).

Financial Services Income. Financial services income generally includes income derived by a financial services entity from the active conduct of a banking, financing, insurance, or similar business. An entity is a financial services entity if it is predominantly engaged in the trade or business of banking, insurance, financing, or a similar business. A financial services entity includes passive income and certain incidental income in the financial services income category. If you qualified as a financial services entity because you treated certain amounts as active financing income that are not listed in Regulations section 1.904-4 (e)(2)(i)(A) through (X), but that are described as "similar" items in Regulations section 1.904-4 (e)(2)(i)(Y), you must attach a statement to Form 1116 showing the types and amount of the similar items.

Shipping Income. Shipping income generally includes income that is derived from, or in connection with, the use (or hiring or leasing for use) of any aircraft or vessel in foreign commerce. It also includes income derived from space and ocean activities. Income that is both shipping income and financial services income is treated as financial services income.

Dividends from a DISC or Former DISC. This category includes dividends from a "DISC" or "former DISC" (see section 992(a) for definitions) to the extent these dividends are treated as foreign source.

Certain Distributions from a FSC or Former FSC. This category includes distributions from a FSC or former FSC out of earnings and profits attributable to "foreign trade income" (as defined in section 923(b))

Lump-Sum Distributions. You may take a foreign tax credit for taxes you paid or accrued on a foreign source lump-sum distribution from a pension plan. But, if you figured your U.S. tax on the distribution using Part III or Part IV of **Form 4972,** Tax on Lump-Sum Distributions, a separate foreign tax credit limitation applies. Use a separate Form 1116 and follow the instructions below to figure your credit.

First, check the box above Part I for lump-sum distributions. Skip lines 1 through 6 in Part I. On line 7, enter the part of the amount from Form 4972, Part III, line 5, or Part IV, line 5, whichever applies, that is from foreign sources. Complete all of Part II. In Part III, skip lines 9 through 12. On line 13, enter the foreign taxes paid or accrued that are attributable to the amount shown on Form 4972, Part III, line 5, or Part IV, line 5, whichever applies. Skip lines 14 and 15. Enter on line 16 the amount from Part I, line 7. On line 17, enter the amount from Form 4972, Part III, line 5, or Part IV, line 5, whichever applies. Complete line 18. On line 19, enter the amount of tax from Form 4972, Part III, line 22, or Part IV, line 22, whichever applies. (Be sure you do not include this amount on line 19 of any other Form 1116 you are filing.) Complete lines 20 and 21.

Special rules apply in figuring the foreign tax credit for any part of a lump-sum distribution for which you made the 20% capital gain election in Part II of Form 4972. See section 904(b)(2).

General Limitation Income. Any income from sources outside the U.S. that does not fall into one of the categories above is general limitation income. Common examples of general limitation income are wages, salary, and overseas allowances of an individual as an employee. Other examples include income earned in the active conduct of a trade or business that does not fall into one of the other separate categories, and gains from the sale of inventory or depreciable property used in a trade or business that do not fall into one of the other separate categories.

Look-Through Rules. Certain income received or accrued by you as a U.S. shareholder in a controlled foreign corporation (CFC) is treated as income in a separate limitation category. Generally, Subpart F inclusions, dividends, interest, rents, and royalties from a CFC are treated as separate limitation income to the extent attributable to separate limitation income of the CFC. For more information, see Regulations section 1.904-5.

Income from a Partnership. Certain income from partnerships will be characterized under the look-through rules. But if a partner has a less than 10% interest (by value) in a partnership, income from the partnership is generally treated as passive income. See Regulations section 1.904-5(h) for more information.

Capital Gains. Capital gains not related to the active conduct of a trade or business are generally passive income. (See section 904 for more information.) Include on Form 1116 any gain from the sale or exchange of capital assets (including gains treated as capital gains under section 1231) only to the extent of foreign source capital gain net income. (This is either capital gain net income from sources outside the United States or from all sources, whichever is less.) "Capital gain net income" is the excess of gains over losses from the sale or exchange of capital assets.

High-Taxed Income. In some cases, passive income may be placed in the general limitation income category. Passive income may qualify as general limitation income if the foreign taxes paid on the income (after allocation of expenses) exceed the highest U.S. tax which can be imposed on the income.

For more information on the separate categories of income, see section 904 and Regulations sections 1.904-4 and 1.904-5.

Line-by-Line Instructions

Part I.—Taxable Income or Loss From Sources Outside the United States

Line 1. Include on line 1 any income in the category checked above Part I that is from sources within the country entered above line 1 that is taxable by the United States. You must include this income even if it is not taxable by that country. Identify the type of income on the dotted line next to line 1. Do not include any earned income excluded on **Form 2555,** Foreign Earned Income. Be sure to use a separate Form 1116 for each category of income you are reporting.

Example: If you received dividends (passive income) and wages (general limitation income) from a foreign source, you must complete two Forms 1116. On one Form 1116, enter the dividends on line 1, write "Dividends" on the dotted line, and complete the rest of the form. On the other Form 1116, enter wages not excluded on Form 2555 on line 1, write "Wages" on the dotted line, and complete the rest of the form.

Lines 2 through 5.—Allocating Deductions. You must reduce your foreign income on line 1, by entering on lines 2 through 5:

- any deductions you are taking that directly relate to that foreign income, AND
- a ratable share of your other deductions which do not directly relate to either your foreign income on line 1 or your U.S. source income.

Do not include deductions and losses related to exempt or excluded income such as foreign earned income excluded on Form 2555. Do not include the deduction for personal exemptions.

Special rules apply to the allocation of research and experimental expenditures. See section 864.

If the law of a state to which you pay income taxes does not specifically exempt foreign source income from tax, you may be required to make a special allocation of state taxes you paid. See Pub. 514.

Line 2. Enter on line 2 all deductions that relate directly to the gross income from foreign sources shown on line 1. For example, if you are an employee reporting foreign earned income on this Form 1116, line 2 may include deductions such as expenses incurred to move to a new principal place of work outside the United States or supplies you bought for your job outside the United States.

Do not include any interest expense on line 2. See lines 4a and 4b for special rules for interest expense.

Lines 3a and 3b. Some deductions do not directly relate to either your foreign source income shown on line 1 or your U.S. source income. Enter on lines 3a and 3b any deductions (other than interest) which:

- are not shown on line 2; AND
- are not directly related to your U.S. income.

Note: *If you do not itemize deductions, enter your standard deduction on line 3a and enter on line 3b any other deductions which do not relate to any specific type of income.*

Examples of itemized deductions from Schedule A (Form 1040) to enter on line 3a are: real estate taxes on a personal residence from line 6; medical expenses from line 4; and gifts to charity from line 17.

Enter on line 3b any deduction from gross income (Form 1040, lines 24a–29) that is not shown on line 2 and that is not directly related to your U.S. income. An example of such a deduction is the deduction for alimony from Form 1040, line 29.

Lines 3d and 3e. Enter on line 3d your total foreign income from the category you checked at the top of this Form 1116. Enter on line 3e your gross income from ALL sources, both U.S. and foreign. For this computation, both foreign source income for line 3d and gross income from all sources for line 3e includes:

- the income of a nonresident alien that is not effectively connected with a trade or business in the U.S.; or
- foreign earned income excluded on Form 2555.

Line 4a. Deductible home mortgage interest and personal interest is apportioned using a gross income method. Use the following worksheet to figure the amount to enter on line 4a of Form 1116.

Note: *If your foreign income (including income excluded on Form 2555) does not exceed $5,000, you may allocate all of your interest expense to U.S. source income.*

Worksheet (Keep for your records)

1.	Enter total foreign source income* of the type shown on Form 1116. Do **not** enter income excluded on Form 2555	
2.	Enter gross income from all sources. Do **not** enter income excluded on Form 2555	
3.	Divide line 1 by line 2 and enter the result as a decimal	
4.	Enter deductible home mortgage interest (from Schedule A (Form 1040))	
5.	Enter deductible personal interest (from Schedule A (Form 1040))	
6.	Add the amounts on line 4 and line 5. Enter the result	
7.	Multiply line 6 by the decimal on line 3. Enter the result here and on Form 1116, line 4a	

*If you are reporting income from more than one country on this Form 1116, complete a separate worksheet for each country. Use only the income from that country on line 1 of the worksheet.

Line 4b. Other interest includes investment interest, interest incurred in a trade or business, and passive activity interest. Each of these types of interest is apportioned separately using an "asset method."

Example: You have investment interest expense of $2,000. Your assets consist of stock generating U.S. source income (adjusted basis, $40,000) and stock generating foreign source income (adjusted basis, $60,000). Forty percent ($40,000/$100,000) of $2,000 or $800 of your investment interest is apportioned to U.S. source income and 60% ($60,000/$100,000) of $2,000 or $1200 is apportioned to foreign source income. In this example, the amount to be entered on line 4b is the $1200 apportioned to foreign source income.

Figure the amount of interest to be apportioned to the income on line 1 on the basis of assets (as described above) and enter that amount on line 4b. For more information, see Pub. 514.

Part II.—Foreign Taxes Paid or Accrued

You may take the credit in the tax year you paid or accrued the taxes, depending upon your method of accounting. If you report on the cash basis, you may choose to take the credit for accrued taxes by checking the "accrued" box in Part II. Once you choose to do this, however, you must credit foreign taxes in the year they accrue on all future returns.

Enter in Part II the amount of foreign taxes which relate to the category of income checked above Part I. Taxes are related to the income if the income is included in the base upon which the tax is imposed. If the foreign tax you paid or accrued relates to more than one category of income, you must apportion the tax among the categories. The apportionment is based on the ratio of net foreign taxable income in each category to the net income subject to the foreign tax. See Pub. 514 for an example.

If you take a credit for tax accrued but not paid, IRS may have you send a bond on **Form 1117,** Income Tax Surety Bond, before the credit is allowed.

Note: *If you are taking a credit for additional taxes paid or accrued as the result of an audit by the foreign taxing authority, attach a statement to Form 1116 identifying these taxes.*

Part III.—Figuring the Credit

Line 10. You may carry back 2 years and then forward 5 years the taxes you paid or accrued to any foreign country or U.S. possession (reduced as described below) on income in a separate category that are more than the limitation. First, apply the excess to the earliest of the 7 years to which it may be carried. Then apply it to the next earliest year, and so on. The 7-year carryback and carryover period may not be extended even if you are unable to take a credit in one of the intervening years.

If you did not take a credit in a tax year to which the excess is carried, the excess is considered used in that year as if you had claimed a credit.

Carryovers of excess taxes from tax years beginning before 1987 generally correspond to the same separate category in tax years beginning after 1986. See Pub. 514 for more information, including special rules for financial services income, high withholding tax interest, and shipping income.

Special rules apply to the carryback and carryover of foreign taxes paid or accrued on foreign oil-related income. See sections 907(e) and (f).

File Form 1040X or an amended return, and a revised Form 1116 for each earlier tax year to which you are carrying back the excess foreign tax credit.

Line 12. You may have to reduce the foreign taxes you paid or accrued by the following items:

- *Taxes on Income Excluded on Form 2555.*—Reduce taxes paid or accrued by the taxes allocable to foreign earned income excluded on Form 2555. If only part of your income is excluded, you must reduce the taxes paid or accrued by the amount allocable to the excluded income. To find the amount allocable to the excluded income, multiply the foreign taxes paid or accrued on foreign earned income received or accrued during the tax year by a fraction. The numerator of the fraction is the foreign earned income excluded for the tax year less otherwise deductible expenses allocable to that income. The denominator is foreign earned income received or accrued during the tax year less deductible expenses allocable to that income. See the comprehensive example in Pub. 514.

If the foreign law charges tax on foreign earned income and some other income (for example, earned income from U.S. sources or a type of income not subject to U.S. tax) and the taxes on the other income cannot be segregated, the denominator is the total amount of income subject to foreign tax less deductible expenses allocable to that income.

- *Taxes on Income From Puerto Rico Which Is Exempt From U.S. Tax.*—This reduction applies if you have income from Puerto Rican sources, such as U.S. Government wages, that is taxable on your U.S. income tax return, and you also have income from Puerto Rican sources that is not taxable on your U.S. tax return. To figure the credit reduce your foreign taxes paid or accrued by the taxes allocable to the exempt income. See Pub. 570 for an example.
- *Taxes on Foreign Oil and Gas Extraction Income.*—Reduce taxes paid or accrued on foreign oil and gas extraction income as provided by section 907(a). See section 907(c)(4) for the rules regarding the recharacterization of foreign oil and gas extraction losses.
- *Taxes on Foreign Mineral Income.*—Reduce taxes paid or accrued on mineral income from a foreign country or U.S. possession if you took a deduction for percentage depletion under section 613 for any part of the mineral income.
- *Reduction for Failure To File Form 5471.*—U.S. shareholders who control a foreign corporation must file **Form 5471,** Information Return of U.S. Persons With Respect to Certain Foreign Corporations. If by the due date of your income tax return you do not file Form 5471, you must reduce by 10% all foreign taxes that you otherwise may take into account for the foreign tax credit. You may have to make additional reductions if the failure continues.

Note: *The reduction in foreign taxes is reduced by any dollar penalty imposed under section 6038(b).*

- *Reduction of Taxes or Credit Due to International Boycott Operations.*—In general, if you agree to participate in, or cooperate with, an international boycott, file **Form 5713,** International Boycott Report. Reduce either the total taxes available for credit or the credit otherwise allowable. If you can figure the taxes specifically for boycott operations, enter the amount on line 12. But if you cannot figure the amount of taxes specifically attributable to boycott operations, multiply the credit otherwise allowable by the international boycott factor. Enter the result on line 31.

For more information, see Form 5713 and its instructions. If any of the above applies to you, attach a statement showing in detail how you figured the reduction. Enter the total of the items to be subtracted from your foreign taxes on line 12.

Line 14. The amount on line 14 is your income from sources outside the U.S. before adjustments. If the amount on line 14 is zero or less, skip lines 15 through 21. You have no foreign tax credit for the category of income checked at the top of this Form 1116. But, if you are required to recharacterize income from another category (see **Recharacterization of Income** on this page), you must complete line 15 even if line 14 is zero or less.

Line 15. You are required to increase or decrease the amount on line 14 by the adjustments listed below. The adjustments must be made in the order listed. If you have more than one adjustment, enter the net adjustment on line 15. You must attach a schedule showing your computation. See Pub. 514 for details. The adjustments are:

1. Allocation of Losses From Other Categories. If you are completing more than one Form 1116 and you have a loss in one or more other foreign income categories, you must reduce the income on line 14 by entering (in parentheses) on line 15 a pro rata share of the loss(es).

2. Recapture of Prior Year Overall Foreign Loss. If you had an overall foreign loss in a prior year that offset U.S. source income, a part of your foreign income (in the same category as the loss) is treated as U.S. source income in each following tax year. The part that is treated as U.S. source income is the **smallest** of: (1) the amount of overall foreign loss not recaptured in earlier years, (2) 50% or more of your taxable income from foreign sources from all categories, or (3) the amount from line 14, less any adjustment for allocation of losses from other categories, described above.

Reduce the income on line 14 by entering (in parentheses) on line 15 the smallest of (1), (2), or (3) above. This is the amount of the recapture. Be sure to attach your computation. If you elect to recapture more of an overall foreign loss than is required, you must show in your computation the percentage of taxable income recaptured and the dollar amount of the recapture.

Regulations section 1.904(f)-1(b) requires that you attach a statement to Form 1116 showing the balance in each separate limitation overall foreign loss account.

3. Recharacterization of Income. If, in 1989, you reduced your foreign taxable income in the category shown at the top of this Form 1116 by a pro rata share of a loss from another category, you must recharacterize in 1990 all or part of any income you receive in 1990 in the former loss category. This income is recharacterized as income in the category you checked at the top of this Form 1116. Increase the amount on line 14 by entering on line 15 any recharacterized income.

Also include on line 15 any income required to be recharacterized in 1990 as income in the category shown at the top of this Form 1116 because of a foreign loss allocation in 1987 or 1988.

Note: *Recharacterization of income from a separate category does not result in recharacterizing any tax.*

4. Allocation of U.S. Losses. If you have a net loss from U.S. sources in 1990, you must proportionately allocate that loss among the separate categories of your foreign income. Reduce the income on line 14 by entering (in parentheses) on line 15 the allocable portion of any U.S. loss. A U.S. loss includes a rental loss on property located in the U.S.

Part IV.—Summary of Credits From Separate Parts III

Complete this part on only one Form 1116 to summarize the credits you figured on separate Forms 1116. Enter the credits from line 21 of the separate Forms 1116 on lines 22 through 29, as appropriate. File the other Forms 1116 as attachments.

*U.S. Government Printing Office: 1990 — 265-251